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United States School Finance Policy, 1955–1980

James W. Guthrie
University of California, Berkeley

The years 1955 to 1980 mark a politically tumultuous time in education, specifically school finance and related policies. It was a period when proponents of greater equity, efficiency, and liberty frequently mobilized political forces to alter or protect school-finance-related arrangements. The result was a quarter century of change—perhaps the greatest change in our nation's history—in the generation and distribution of support for public schools. However, to characterize this period as merely one of change is inadequate. Many of the policy proposals and legislative alternatives were at odds with one another.

Past changes and their resultant tensions probably have not yet run their course. Many individuals continue to view the nation's educational systems as unequal, inefficient, restrictive, or any combination of the three. More reforms are desired and undoubtedly will be sought. Thus, the 1980s will be a period during which reform forces will continue to seek an equilibrium.

An understanding of the past is interesting, as well as instructive for those who will participate in reform efforts in the future. Thus, this article describes the past 25 years of reform efforts, illustrates tensions among various value proponents, and distills commonalities of reform efforts and their effects. I conclude by speculating on probable points of conflict for the 1980s.

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Background

Analyzing the roots of a reform often involves an infinite regress regarding cause. Pendulum swings of social change seem so inevitable that identification of the precise time when a movement began is virtually impossible. Such is certainly the case with school finance reform. Because selecting a starting point necessitates an arbitrary choice, I chose the famous United States Supreme Court decisions in *Brown vs. Board of Education*[1] to mark the beginning of this period. In the preceding quarter century, Americans had been preoccupied with economic instability and international warfare. The post-World War II period was sufficiently tranquil to permit the nation to direct its attention to several long-festering internal issues, including equal educational opportunity.

It would be useful, at least to facilitate understanding, to conceptually compartmentalize social reforms. For example, the period from 1955 to 1965 has been portrayed as the "Age of Equality," anchored on the front end by judicial desegregation mandates and on the other end by congressional and executive branch concern for breaking the cycle of poverty with the Elementary and Secondary Education Act of 1965 (Public Law 89-10). The years 1965 to 1975 have been described as the "Era of Efficiency," dominated by the so-called "accountability movement" and attendant efforts to render schools more productive.

[1] 347 U.S. 483, 495 (1954) and 349 U.S. 294 (1955).

The time from 1975 to 1980 has been cast as a counterstruggle by those desiring greater choice—for example, vouchers, school site management, tuition tax credit plans, and alternative schools.

Regrettably, such tidy chronological separations, however expedient, are overly facile and therefore meaningless. Worse yet, their inaccuracy masks the kaleidoscopic tensions that interact continuously to shape and reshape American policy. Not only do proponents of equality, efficiency, and liberty refuse to limit their efforts to specified time strata, but their endeavors regarding level and branch of government, geographic region, and policy focus are uneven. Even more confusing is the fact that a particular reform may be sought by proponents of more than one value stream, each doing so for reasons that, in the abstract, may be antithetical. For example, during the quarter century under consideration, so-called "alternative schools" were frequently sought by those who believed that greater discretion for teachers and parents to operate outside conventional public school confines would enhance equality of opportunity. Other alternative school advocates favored the movement because of the expansion of freedom and choice that was expected to result.

This complexity is compounded by intra- and intergovernmental friction. It is possible within the same time frame to have federal policymakers mandating greater efforts at equality (e.g., the *Brown* desegregation decisions) while almost simultaneously advocating greater attention to excellence (e.g., the 1958 Sputnik-inspired National Defense Education Act). Nor did the sometimes contradictory kaleidoscope freeze in the 1960s. Enactment of the 1965 Elementary and Secondary Education Act, with its substantial concern for equality, was followed closely by local efforts to achieve greater freedom of choice through "community control" of public schools (Levin, 1970). Even in the late 1970s, Californians were attempting to implement equality features of *Serrano*[2] while simultaneously coping with the cost-cutting efficiency movement promoted by Howard Jarvis and Paul Gann, sponsors of widely publicized tax limitation initiatives. Jarvis and Gann sponsored a California property tax constitutional initiative in 1978, Proposition 13; a statewide spending limitation in 1979, Proposition 4; and an income tax reduction proposal in 1980, Proposition 9. The electorate passed the first two initiatives and rejected the last.

Because of this web of currents and countercurrents, untangling efforts to achieve greater equality from those efforts directed at maximizing efficiency or liberty involves an arbitrary decisionmaking. Consequently, I begin the analyses with the mid-1950s attempts to achieve greater equality and then concentrate on efficiency and liberty. In such a contrived separation, readers should not be misled into believing that these were separate movements. As suggested above, overlap, interplay, evolution, and opposition have been constant.

The Search for Equality

The decisions in *Brown vs. Board of Education* initially had little direct bearing on school finance policy. However, they do mark the beginning of a renewed national concern for social equality. Implementation of these judicial mandates was slow and uncoordinated. Nevertheless, it did proceed, even when military force was required to ensure progress. Lower court decisions and the Civil Rights Movement that followed contributed to a national atmosphere of concern: Public consciousness regarding inequalities had been substantially heightened (Wirt, 1971). Several authors and social scientists began to describe the extent of inequality that had characterized schools. In 1961 Conant pub-

[2] *Serrano vs. Priest* originated in the Los Angeles County Superior court. Defendants sought and were granted a demurrer CL.D.298207. Plaintiffs appealed. The California Supreme court ruled in favor of plaintiffs and remanded the case to the court of original jurisdiction to assess whether or not unequal school financing was associated with unequal opportunity (5 Cal. 3d. 584, 487 P.2d 1241, 96 Cal. Reptr. 601, 1971). The trial court found favorably for plaintiffs (Memorandum Opinion re Intended Decision *Serrano v. Priest* Civil No. 938, 254 Cal. Super. Ct. April 10, 1974, 18 Cal. 3d. 728, 20 Cal. 3d. 25, 1974). This trial court decision was appealed by defendants. However, subsequent decisions by the California Court of Appeals (10 Cal. App. 3d. 1110, 89 Cal. Rptr. 345, 1975) and California Supreme Court (18 Cal. 3d. 729 Dec. 30, 1976) sustained the lower court.

lished *Slums and Suburbs* and described the poverty of cities as constituting a keg of "social dynamite." In 1964 Sexton analyzed the intradistrict spending disparity that afflicted Detroit's city schools. This new sensitivity was poignantly manifest in the mid-1960s proliferation of social legislation sponsored by the Johnson administration under the "Great Society" and "War on Poverty" banners (see Aaron, 1978).

The 1964 Civil Rights Act broke new ground on two educational fronts. Perhaps most important for this analysis, it contained Section 601 prohibiting federal funding of activities tainted by racial discrimination. This provision pierced one of the major historical impediments to massive federal aid to education. Previously, northern and liberal members of Congress were reluctant to vote for large-scale federal aid bills unless funds were to be used as incentives to desegregate southern dual school systems. Just as resolutely, Southern members of Congress were reluctant to support legislation containing such restrictions. For a century, large-scale, federal school aid bills were brought to a standstill by this conflict (see Guthrie, 1968b). The 1964 Civil Rights Act (Public Law 88-352) cleared the path for what was to be the federal government's largest educational initiative, the 1965 Elementary and Secondary Education Act (ESEA).

The 1964 Civil Rights Act also authorized a massive social science effort at assessing equality of educational opportunity. This assessment was directed by and eventually came to be named for the famous sociologist James S. Coleman. The Coleman et al. (1966) report's major conclusions did not particularly satisfy educators and proponents of greater efforts to achieve equality. It documented the achievement gap between white and black students and asserted that the gap was not accompanied by significant inequality of resources, at least within regions of the United States (see also Morgan, 1962). It added that, once student social background factors were controlled, school variables showed little positive correlation with student achievement. This finding was widely interpreted to mean that schooling made little difference. Efficiency proponents were quick to use this as an argument against continued increases in school funding, a theme to be described more fully in the next section. The report was released in December 1966 and immediately stirred controversy. Researchers asserted that the report's flaws in data-gathering and analytic techniques emasculated the policymaking utility of its conclusions. (See, e.g., Cain & Watts, 1970; Coleman, 1970; Guthrie, Kleindorfer, Levin, & Stout, 1971; Hanushek & Kain, 1972.) Thus, aside from or despite its findings, the furor precipitated by the Coleman report intensified concern for equality.

The concern was further elevated by the 1967 release of the Civil Rights Commission report, *Racial Isolation in the Public Schools*. Though not directed immediately at school finance concerns, the Civil Rights Commission thesis included the view that resource equality was a necessary, even if by itself insufficient, prerequisite for equal educational opportunity.

Concomitant with the excitement of federal legislation and research reports, two sets of scholars in Chicago began concentrating their analyses on the inequality of U.S. school finance arrangements. Interestingly, one group, Coons, Clune, and Sugarman owed their introduction to the complexities of property taxation and school aid distribution formulas to desegregation research they had conducted for the Civil Rights Commission. While Coons, Clune, and Sugarman were developing the embryonic ideas that eventually were to reach maturity in their 1970 publication *Private Wealth and Public Education*, another scholar, Wise (1968), was also focusing on potential legal remedies for the tax rate and expenditure disparities that then characterized U.S. school financing.

Coons's team and Wise had reached a common conclusion. The pervasive inequalities of school finance arrangements in most of the 50 states were not likely to be remedied through the legislative process. For decades, districts rich in property wealth had been able legislatively to protect their taxing and spending advantages, and the probability appeared slender that a coalition of low property wealth districts would be able to overturn the situation. Thus, the more promising reform avenue was to seek judicial redress for the inequity.

Both Wise and the Coons, Clune, and Sugarman team grounded their arguments in the U.S. Constitution's 14th Amendment and similar provisions and education sections of state constitutions. Each contended that education was of sufficient significance in 20th-century America as to have acquired the status of a fundamental interest and that it therefore deserved not only state but also federal constitutional protection. If education were a fundamental interest, then government would have to possess a compelling reason, not simply a rational one, for discriminating against individuals. Such strict scrutiny of governmental purposes is also triggered when suspect classifications, such as race, income, or geographic residence, are involved in designating recipients or objects of public supported services.

In designing remedies both Wise and Coons, Clune, and Sugarman pursued a negative approach. However, over time, the formulation of Coon's team became more prominent. They formed the so-called principle of fiscal neutrality: "The quality of public education may not be a function of wealth, other than the total wealth of the state" (Coons, Clune, & Sugarman, 1970, p. 394). A reconstructed state school finance plan that met this test would, presumably, be constitutional.

To fully apply the legal theories in courts, a factual case had to be made. This involved three major steps. First the extent of the inequality had to be documented; property tax rate differentials, school district spending differences, and state aid inequalities all had to be compiled for states in which a legal challenge was to occur. Second, an argument had to be framed linking these unequal resources to uneven student achievement. Third, uneven achievement might itself have to be linked to differences in student life chances or outcomes.

Research for the initial leg of this argument—unequal distribution of taxation and spending—had to be constructed individually for each state. This was true not only because the details of each state's distribution pattern are unique, but also because state constitutions differ sufficiently to make it necessary to frame variations of the basic legal argument accordingly. Numerous school finance researchers cooperated with attorneys in amassing the factual arguments. Berke, Goettel, and others compiled data for an important Texas case (see Berke, 1974; Moskowitz & Sherman, 1979). Thomas (1968) and Guthrie et al. (1971) undertook the task in Michigan. Benson and his colleagues (1972) performed a similar mission in California. In other states, the operation was repeated.

The second and third legs of the argument were precipitated primarily by widespread, secondhand interpretations of Coleman report findings. If, as Coleman was understood to mean, dollars spent on schools were not linked significantly to quality of schooling and if school quality did not influence student achievement, then perhaps existing school finance inequities were harmless. Why bother to reform a system that was inflicting no damage; why not let it bumble along on its arcane course? Two strategies were undertaken to counteract this perception. Arguments were offered that not only were the Coleman data and techniques flawed, but also that the conclusions were simply inaccurate. Researchers such as Bowles and Levin (1968) demonstrated that by using different techniques and making different assumptions, they could analyze the Coleman data and obtain positive results—namely, that resources did make a difference in student achievement. Because research efforts were handicapped by the absence of data, other than previously collected Coleman report survey results, these arguments were valiantly made but not always persuasive.

Attempts to dilute Coleman report interpretations ultimately proved more successful than attempts to overturn them. Dilution was accomplished by reciting the report's methodological weaknesses in detail. The alleged weaknesses included imprecise specification of the conceptual model and sample design, inappropriate survey techniques, inaccurate aggregation of data, and invalid statistical procedures. Experts' courtroom testimony on such weaknesses seemed only to confuse the judges. It was hoped that creating a courtroom impression of staggering technical complexity would at least neutralize Coleman interpretations. In fortunate instances, courts were to view the question of school effectiveness as extraneous to

the legal matter at hand, an academic exercise of little significance. The view was, "after all, if school dollars made so little difference, why were high spending districts engaged in such intense efforts to retain their spending advantage?" One member of the California Supreme Court was quoted as saying, "Everybody knows you get what you pay for, and I suspect schools are not different in this regard."

Reform efforts in the separate states did not proceed in isolation. Once the basic tenets of a legal attack had been formulated by Coons, Clune, and Sugarman and by Wise, they were honed by other legal scholars and shaped to the peculiarities of specific states. Also, school finance specialists from several major universities played an important role in developing data and compiling and presenting factual information in support of legal theories. The individuals involved in these efforts were drawn into a national network that facilitated cross-pollinization of ideas and provided actors in the various states with extraordinarily sophisticated technical assistance regarding law, school finance, statistical analysis, school productivity, school management, testing, and data processing.

This network had several nerve centers from which connections spread to the states. One such center was the Lawyers Committee for Civil Rights Under Law. For a period, the National Urban Coalition played a significant coordinating role. In time, the School Finance Center of the Education Commission of the States came to be the hub of such informational and coordinating activities. Participants and organizations constituting this national network drew substantial financial support from major philanthropic foundations (Fuhrman, 1978).

This network did not concern itself only with legal efforts to achieve school finance reform. Numerous books and articles were written by network members that contributed to a reform climate and generated alternative solutions, such as taxation and finance distribution plans. Also, the network was comprised of participants of state legislative committees and executive branch commissions. Reform contributions were made through such commission approaches in Florida (Governor's Citizen Committee, 1973), New York (New York State Commission on the Quality, Cost, and Financing of Elementary and Secondary Education, 1973), California (Benson et al., 1972), and Oregon (Pierce, Garms, Guthrie, & Kirst, 1975).

Whatever the contributions of individual researchers and state legislative committees or executive branch commissions, the major medium of reform was the judicial system.[3] On occasion, a court case was not necessary: The mere threat of a well-formulated suit could trigger legislative or executive branch consideration of reforms (Education Commission of the States, 1979b). However, such threats would not have been as effective had not similar suits been tried and decided on behalf of plaintiffs elsewhere. Thus, the central reform role of courts justifies added description.

Out of the dozens of cases, covering 36 states (Education Commission, 1979a, 1980), I have selected six to review. The selection is based not so much on whether the case triggered a state's reform, but on whether the case represented important and divergent points of view. The cases are described in chronological order.

Hobson vs. Hanson[4]

This case was brought against the Washington, D.C., schools in the mid-1960s. Plaintiffs contended that black children were being denied equal protection in the delivery of school services. They proceeded to demonstrate that the district engaged in discriminatory practices (e.g., "ability grouping") and that spending was higher in predominantly white schools. The prime cause of the spending disparities was the district's personnel policy, which permitted more senior instructors, with higher salaries, to exercise contractual privileges to transfer to schools serving the district's white students. A result was substantially higher spending per pupil in such schools.

Judge J. Skelly Wright ordered the district to remedy the imbalance, but 4 years

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[3] *Hargrave vs. Kirk*, 313 F. Supp. 944 (M.D. Fla. 1970).

[4] 265 F. Supp. 902 (DDC 1967) and 327 F. Supp. 844 (DDC 1971).

later plaintiffs asserted that unjustified dollar disparities still existed. In 1971, Wright heard the case again and ordered strong remedial steps, such as the transfer of high paid teachers to black schools, to more nearly equalize spending patterns. Subsequently, stories were frequently cited about teachers who were transferred to equalize spending but for whom there were no students to form classes in their specialty. The court order, in attempting to achieve greater equality, sometimes had to sacrifice efficiency (Horowitz, 1977).

Hobson's principles applied to numerous other school districts. Teachers in most large-city schools had transfer privileges based on seniority. School administrators braced themselves for an onslaught of litigation in which contract provisions for teachers' collective bargaining would be pitted against the equal protection clause. However, change came through another avenue. The facts in *Hobson*, plus a significant set of research results published by the NAACP Legal Defense and Education Fund (see Martin & McClure, 1969), influenced Congress to alter the rules regarding ESEA Title I. Henceforth, to be eligible for Title I funds, school districts had to comply with so-called "comparability guidelines" ("School Comparability Guidelines," 1970). These regulations ensured that local school district funding per pupil was reasonably equal before Title I funds could be spent. It subsequently took several years to revise the regulations and guidelines to render them effective. Nevertheless, these actions by the federal government were remarkably quick to reduce intradistrict per pupil spending disparities. It is doubtful that a judicial strategy could have been as effective, and court action certainly would not have been as quick.

McInnis vs. Shapiro[5]

This court case was based on alleged inequities in the Illinois school finance system. It was tried in a three-judge, federal district court, and the 1968 decision favored the defendant, the state. On appeal, the U.S. Supreme Court upheld the initial decision without issuing an opinion. Despite an outcome unfavorable for plaintiffs, the case is important because it was to determine the course of subsequent legal reform strategies. The court ruled in *McInnis* that the existing system would remain in effect because even if it was responsible for unequal provision of school revenues, there was no equal protection need for equal spending, and the remedy being sought by plaintiffs was judicially unmanageable.

Plaintiffs had sought redress of their grievances through redistribution of financial resources according to the educational needs of students. However admirable such a request, the court could not envision a means by which to ascertain accurately children's "needs": hence, the unfavorable outcome for plaintiffs. The case was sent on appeal to the U.S. Supreme Court, which refused to grant a writ of certoriari, thus permitting the lower court decision to stand.

The significance of *McInnis* resides in its influence on subsequent plaintiff strategies. No longer would liberal-oriented remedies be sought that emphasized school financing according to student needs. This remedy was directed at the "equal school outcomes" definition of equality, wherein resources would be spent in inverse proportion to a student's disadvantaged status. Rather, following *McInnis*, the remedy subsequently to be sought was to be consistent with the Coons, Clune, and Sugarman principle of fiscal neutrality. This decision rule, while not specifying what the remedy should be, permits an assessment to be made of its judicial acceptability. Presumably, any remedy that does not link available resources to wealth, other than the wealth of an entire state, is acceptable. Also, the *McInnis* decision made clear the fact that cases had to undergo thorough preparation.

Serrano vs. Priest

Serrano vs. Priest (see Footnote 2) is probably the best known of the school finance reform cases. Its roots extend to the late 1960s efforts of southern California resident John Serrano to obtain higher quality public school services for his son, Anthony. Through several stages, John

[5] 293 F. Supp. 327 (N.D. Illinois 1968).

Serrano came into contact with Coons, Clune, and Sugarman's legal theories, and a case was brought with Anthony Serrano as the lead plaintiff. Because the California legislature holds itself immune to suit, unless it grants explicit permission, plaintiffs were left only with the option of suing various state administrative officers who arguably possessed authority to redistribute state legislative appropriations for schools in a fiscally neutral fashion. Hence, the lead defendant was the California state treasurer, the now deceased Ivy Baker Priest. The state controller and chief state school officer were also named as defendants, even though they were at least partially sympathetic to plaintiff's position.

Serrano had a particularly torturous judicial history (see Footnote 2). There were several trial court opinions and two major state supreme court decisions; the latter are known as *Serrano I* and *Serrano II*. *Serrano* was one of the earliest equal protection school finance suits. This, when coupled with the duration and complexity of the issues and the fact that California is the nation's most heavily populated and largest spending state, probably accounts for the substantial national attention accorded the cases.

However, aside from its glamorous features, *Serrano* illustrates many conclusions that have emerged from the last quarter century of school finance reform efforts. Consequently, the description will accord the case what might otherwise appear as disproportionate emphasis.

The case was originally filed in 1968 in the Los Angeles County Superior Court. School finance conditions then existing in California were classic examples of the "evil" that reformers desired to rectify. California had a conventional "Foundation Plan" whereby local school districts were mandated by the state to spend a minimum dollar amount per pupil. There existed a state-enacted "computational" tax rate. If by taxing themselves at this rate, districts were unable to generate the minimum per pupil spending level, state equalization aid was available to make up the difference between the computed local contribution and minimum required local spending. The difficulty, at least for *Serrano* plaintiffs and their sympathizers, was that property-wealthy school districts could spend amounts in excess of the minimum at tax rates substantially lower than property poor districts. In *Serrano*, plaintiffs made much of the contrast between Baldwin Park, a property-poor Los Angeles suburb, and the property-wealthy and reknowned Beverly Hills Unified School District. At the time of trial, the former had a -property tax base of $16,000 per pupil while the latter enjoyed the benefits of $200,000 per pupil. Baldwin Park spent $595 per pupil in 1968, while Beverly Hills spent $1,244. The property tax rate in Beverly Hills was less than half that in Baldwin Park.

This system, similar to ones installed in most states in the first quarter of the 20th century, had initially been justified on grounds that it offered an incentive to local school districts to spend the amount per pupil necessary to guarantee an educational "foundation." Moreover, the plan equalized ability of low wealth districts to offer such a foundation. Last, local control was preserved because districts desiring to spend more than the minimum were free to do so. They needed only to make the added local tax effort necessary to fulfill their desire.

The facts regarding the California finance system were summarized quickly for the lower court in *Serrano*. However, defendants, then represented by attorneys from Los Angeles County District Attorney's Office, sought a "demurrer." They contended that even if plaintiffs' facts were accurate, a position they did not concede except for purposes of arguing their technical point, no law was being violated. If Baldwin Park spent less at a higher tax rate, so what? What statute or constitutional provision prohibited such a condition? The initial lower court decision concurred with this position, and *Serrano* proceeded on appeal to the California Supreme Court to assess whether or not "Foundation Plan" funding arrangements violated state and federal law.

In the summer of 1971, the California Supreme Court issued its decision, a joyous day for plaintiffs and the reform network. The court concluded that if facts were as plaintiffs alleged regarding the unequal charters of local district taxing and spending, then both the U.S. Consti-

tution and California's State Constitution were in violation. The case was remanded to the court of original jurisdiction for a trial on the facts. Completion of the subsequent trial phase was to occupy several years. During the interim, the California legislature enacted a school finance bill intended to meet a court equal protection challenge, Senate Bill 90. The new school finance plan imposed substantial limits on high spending school districts; however, it did not move quickly to narrow the gap between high and low wealth districts in terms of their ability to spend. Indeed, the trial court eventually found the new equalizing plan to be insufficient to meet the fiscal neutrality decision rule.

While *Serrano* was at trial, the U.S. Supreme Court issued its 1973 decision in *Rodriguez vs. San Antonio Independent School District.*[6] This decision is described in detail later, but the point to be noted here is that it lifted the validity of the federal constitutional argument. Fortunately for *Serrano* proponents, the 1971 state supreme court case, *Serrano I*, had made it clear that the California constitution also encompassed authority to strike the alleged injustice under consideration.

In 1974 Judge Bernard Jefferson, then of the Los Angeles Superior Court, rendered his trial decision in favor of the plaintiffs. Jefferson, consistent with the constitutional template provided him by the state supreme court in its 1971 decision, found the California system to be in violation of the state constitution. He gave the legislature 5 years to implement a reform system that constrained school district spending within a band of $100 per pupil.

The Jefferson decision was itself appealed to the state supreme court. After what seemed an interminable period, *Serrano II* was handed down on December 30, 1976. This decision reaffirmed the trial court action. The legislature then took the court mandate seriously and produced another "solution" in June 1977. This statute, Assembly Bill 65, was extraordinarily complicated. It seemed like school finance had gone mad. It contained esoteric features such as "breakpoints," "squeeze" and "double squeeze" factors, "base revenue limits," and "adjusted base revenue limits." When enacted it was probable that more persons in California understood Einstein's theory of relativity than could comprehend AB 65.

The complexity was a necessary component of the political process. To gain a favorable majority, AB 65 supporters not only had to accept a complicated mechanism aimed at easing the pain of equalizing a heretofore quite unequal system, but they also had to accept added measures proposed by advocates for greater efficiency and liberty. If millions of additional school dollars were to be spent to obtain greater equity, then many legislators wanted to ensure that such funds were well spent. Hence the added provisions. In a sense, the pursuit of equity had itself evoked a demand for greater efficiency and liberty.

No sooner had Californians begun to understand AB 65 than the system underwent an even more radical transformation. On June 6, 1978, barely a year after enactment of AB 65, California's electorate enacted Proposition 13 limiting property taxation. This constitutional amendment triggered withdrawal from the public sector of $7 billion in local property tax revenues. Treasury surpluses permitted a state level "bail out" of local government, school districts included. The bail out was embodied in Senate Bill 154, containing yet another school finance distribution formula. This bill squeezed high spending districts even more tightly than its immediate predecessor, AB 65. However, it also sounded the death knell for conventional patterns of school district governance in California. Proposition 13 had the unanticipated consequence, at least unanticipated for many of the fiscal conservatives who sponsored it, of providing California will full state funding for its schools and simultaneously emasculating the state's historic local school district control. By 1979, the legislature was paying more than 80 cents out of every school support dollar. California had the reality, if not yet the mentality, of full state funding. Equity had been enhanced by *Serrano*. Efficiency was promoted through the fiscal containment outcome of Proposition 13. Liberty, or choice,

[6] 337 F Supp. 380 (W.D. Tex. 1971), 411 U.S. 1, 58 (1973).

proponents believed they had suffered at the hands of both. Their turn perhaps would come later.

Senate Bill 154, the Proposition 13 bail out, was a 1-year statute. It was replaced in 1979 by Assembly Bill 8. This statute was to be California's fifth school finance plan in a decade (Guthrie, 1979). It also triggered debate. *Serrano* advocates, or at least the more intense among them, asserted that there still existed high wealth school districts with spending advantages impermissible under Judge Jefferson's decision. This was the position of John McDermott, the lawyer who had successfully pursued the case throughout the major portion of its evolution.

McDermott's position was countered by state officials who argued that 85 percent of the state's students already fell within the $100 spending band and that within a reasonable number of years the band would encompass fully 95 percent of all California students. Moreover, they contended, after Proposition 13, taxes were no longer an issue. The property tax rate throughout the state was uniform, 1 percent of market value. They argued that little inequality remained and that the cost to the state and taxpayers of eliminating the last vestige of inequality would be too high. After all, California schools had already had to adjust to five different school finance plans in the 1970s. Such changes had occurred simultaneously with many other school reforms—namely, collective bargaining, aid to handicapped children, and a major bilingual education drive. There was a limit to the amount of change a system could absorb and still function satisfactorily. As if to emphasize the point, the 1979 legislature enacted a moratorium on major school legislation.

For their part, McDermott and his colleagues were reluctant to give up. They countered that whereas 15 percent of the student population may not sound like much, in reality that constituted 600,000 students, more than the entire school age population of many states (Rhoads, Frentz, & Marshall, 1978). By the fall of 1982 they had taken the case back to court, and Californians braced themselves for *Serrano III*.

Serrano had, and may continue to have, national significance. Among other matters, it displayed that the equal protection argument could be made on state constitutional grounds, even if the federal argument was eroded. Second, *Serrano* made it clear that the principal of fiscal neutrality could be fashioned in a manner acceptable to courts in calculating a judicially manageable remedy. *Serrano* also reinforced the view that legislatures would respond responsibly to judicial school finance mandates. As will be seen from the New Jersey state legislature's reaction in *Robinson v. Cahill*,[7] such compliance could not be assumed automatically.

Serrano underscored the significance of the national reform network. As heavily endowed with resources as California was, many of the ideas and strategies used both at trial and in the legislature owed much of their origin to the creativity and support of network participants. Also, *Serrano* illustrates the virtual impossibility of achieving major school finance reform without simultaneously addressing demands from efficiency and liberty proponents. One wave of reform, as stated at the beginning of this chapter, appears to contain within it the seeds of its successor. Last, *Serrano* makes it clear that reform, even through the judicial system, need not be quick. John Serrano's son Anthony was in junior high school when the case was initially brought to trial. He was a working adult in 1980, and the case was still perhaps not complete.

Rodriguez vs. San Antonio

While *Serrano* was developing in California, *Rodriquez vs. San Antonio* (see Footnote 6), a Texas case, was percolating through the courts along remarkably similar lines. The issues were essentially the same. The Texas school finance system permitted the same spending and tax rate disparities found in California. If there was a difference, it was that Texas plaintiffs grounded their arguments exclusively in the U.S. Constitution, and thus, their case was tried only in a federal district court. The initial decision was favorable to plaintiffs, but the appeal judgment was a

[7] 62 N.J. 473, 303A. 2d 273 (1973). The turmoil associated both with the case and with fashioning a remedy in *Robinson vs. Cahill* is fully described by Lehne (1978).

disaster. For a while it appeared that the appeal would stymie the entire reform movement in states far beyond the borders of Texas.

In March 1973, the U.S. Supreme Court issued its decision in *Rodriguez vs. San Antonio*. The court was closely divided. By a five to four decision, the fragmented majority decided that education, not being explicitly mentioned in the Constitution, was not a "fundamental" interest. Hence the appropriate judicial test was only that the Texas school finance system possess a "rational basis." Defendants contended that spending and taxing disparities were a consequence of the desire to preserve local control. Aside from the moral righteousness of the argument, regardless of whether local control or school spending and taxing equality is a higher value, the Supreme Court ruled that such was not the nature of the decision. There existed a rational basis for the Texas system, and that sufficed to protect it. If the Court had found education to be a "fundamental interest," then a more severe constitutional test necessitating a compelling justification for governmental action would have been appropriate. Such an intense criterion might have overcome the rational basis trade for retention of local control.

The melange of opinions constituting the majority in *Rodriguez* contained other arguments used in overturning the lower court decision. The Court asserted that defendants did not readily constitute a suitable class. They were not uniformly poor, nor members of a racial group, nor from geographically identifiable areas. Thus, no so-called legally suspect classification appeared to be involved. Last, the Court was not persuaded that students in low wealth, low spending districts were being "damaged" as a consequence of financing disparities. Loosely translated, the Court was not convinced that dollars for schools were tightly tied to the quality of services made available to pupils. The efficiency argument originally raised in connection with the Coleman report had once again come to the surface and dramatically influenced public policy regarding school finance.

Reform proponents were deeply depressed by *Rodriguez*. Unless the Supreme Court should reverse itself, a highly unlikely situation except perhaps over the long run, hopes of achieving reform with a single slash of the public policy sword were eliminated. Worse, many feared that the entire movement would founder unless responses could be generated to the Court's three rejection arguments.

Robinson vs. Cahill

Robinson vs. Cahill (see Footnote 7) was decided by the New Jersey Supreme Court in May 1973. Its prime significance initially was to buoy reformers whose spirits only a month earlier had been severely depressed by the previously described decision in *Rodriguez*. *Robinson* made it clear that school finance reform could take place at the state level, even if it necessitated separate suits tailored to the legal and factual details of each offending state. *Robinson* displayed that, however time-consuming and costly, *Rodriguez* could be circumvented.

In the time following the initial New Jersey Supreme Court decision in *Robinson*, the case began to assume additional significance, becoming something of a negative example. The legal framework for the case had never been clear, and as a consequence, court directives were complicated. The New Jersey legislature was reluctant from the outset to implement the court decree. At one point, the summer of 1977, the state supreme court had to resort to the unprecedented action of closing the state's public schools to force compliance. Only then did the legislature enact a state income tax providing the funds necessary to implement the court's decision.

Two other conditions complicated *Robinson*. The case relied on New Jersey's constitutional provision charging the state with responsibility for operating a public school system that was "thorough and efficient." Plaintiffs contended that the unequal distribution of taxing and spending authority under the old school finance plan impeded provision of "thorough and efficient" school services. The court concurred but found that more than school financing was at fault.

Remedy involved not only a revised flow of funds, but also a monumentally complex state management system requiring local school districts to specify curriculum

objectives in more detail than generally possible and thereafter to allocate funds as though scientifically accurate educational production functions actually existed. Again, efficiency was made a partner with quality to build the coalition necessary to gain passage of a remedy. The result was incomplete equalization of financial resources and creation of a system of state-mandated paperwork that threatened to drown whatever creativity remained in New Jersey's local schools. School finance and management in New Jersey changed substantially in the 5 years after the initial supreme court decision in *Robinson*. However, few, if any, reformers believed the system was made either more thorough or more efficient. (For further analysis, see Goertz, 1978; Goertz & Hannigan, 1978; Lehne, 1978).

Levittown vs. Nyquist[8]

Levittown contained an argument that had been omitted from the other court cases. The state's largest city school districts intervened as plaintiffs. These cities contended that New York's state school finance plan was unconstitutional because it failed to consider adequately the added cost of city operation, an added cost that allegedly burdens city revenue sources more heavily than suburban or rural property tax bases.

This "municipal overburden" argument was countered by several prominent economists who contended that cities spend more money because they choose to offer services in the public sector that are paid for privately or simply not provided outside the city. (For an extended discussion, see Brazer, Akin, Auten, & Cross, 1971; Garms, Guthrie, & Pierce, 1978, chap. 15.) For example, cities may subsidize rapid transit systems through property tax proceeds. Suburban residents may have to pay the cost of commuting from their own pockets. Why, municipal overburden opponents inquire, should noncity residents be asked to subsidize cities even further because the latter choose voluntarily to offer such a wide variety of public services? For their part, city advocates point to the wide array of city services provided for noncity residents—for example, museums, airports, and theaters. Regardless of the validity of either side's position, the initial lower court decision accepted the municipal overburden argument completely. Such was not the case for New York's higher court on June 23, 1982. The New York State Court of Appeals overturned two lower court decisions, refused to accept the municipal overburden argument, and culminated 8 years of litigation by upholding the state's school finance system.

There remain many other school finance cases, some successful, others unsuccessful; some awaiting appeal, others not yet at trial. It may be that legal challenges to allegedly unfair school finance plans will maintain momentum throughout the 1980s. If such is the case, however, it will be against the substantial opposition of fiscal conservatives and proponents of added school efficiency and liberty. The dominant reform value throughout the 1970s has clearly been equality. Concerns for efficiency and choice made their presence felt, but they were generally subordinate to the major theme of greater financial equalization. As the 1970s concluded, however, it appeared that public support for school finance reform, narrowly defined, was declining relative to a concern for efficiency and fiscal restraint.

Efficiency

Efforts to render schools more productive, to maximize output at a specified resource level, are not unique to the 25 years considered here. Callahan (1962) and Tyack (1974) have each written insightful descriptions of the "Cult of Efficiency" that pervaded American education at the beginning of the 20th century. This earlier effort assumed that adoption of scientific management principles would earn for schools the mantle of legitimacy then accorded private sector business endeavors. This more recent efficiency movement also attempted, in part, to pattern schools after business. In the struggle to make schools "accountable," however, contemporary reformers became frustrated with the inability of technocratic procedures to increase educational productivity, and consequently there evolved two additional stages—testing and fiscal containment.

[8] 94 Misc. 2d 466 (N.Y. 1978), 83 A.D. 2nd 217 (1982).

This section traces each of the three stages, beginning with the technical-industrial accountability model.

The 1957 Soviet space success, Sputnik, triggered substantial criticism of America's public schools. They were tried quickly in the press and found guilty of defrauding the United States of technological supremacy. Congress responded by enacting the 1958 National Defense Education Act, intended to buttress instruction in science, mathematics, and foreign language. Cynics were quick to observe that America's schools were remarkably responsive. A year later, 1959, the United States launched its first successful space capsule. Whatever the objective performance of America's schools at the time, the seeds of public dissatisfaction had been widely sown. Moreover, as the space program began to accomplish even more amazing feats, the question continued to be asked: How is it we can put a man on the moon while the student on the street cannot read, write, or count satisfactorily?

Against this backdrop of unfocused public dissatisfaction with school productivity, there appeared the previously mentioned 1966 Coleman report with its widely misinterpreted finding regarding school resources and student achievement. Whereas Coleman and his colleagues were careful to circumscribe their conclusions, intending only to say that schools appeared to have little influence on achievement, which was independent of the social class conditions of individual students, laymen frequently were quick to assume that this meant schools had no effect and that added dollars for schools would be wasted.

Technocracy

If student achievement was disappointing, and dollars spent in the conventional pattern had little influence, then the time had come for new strategies. Efficiency proponents were quick to suggest that many private sector management techniques, if appropriately applied to schools, could provide answers—by which they meant higher student performance and lower costs. Thus, the latter part of the 1960s and the early portion of the 1970s witnessed numerous efforts to apply technocratic management strategies to public education (see Martin, Overholt, & Urban, 1976). Techniques such as Program Performance Budgeting Systems (PPBS), systems analysis, Program Evaluation and Review Techniques (PERT), and Management by Objectives (MBO) had been honed during World War II, polished in the private sector during the postwar period, and propelled to their greatest prominence with the space program successes of the 1960s.

In 1967, the year following publication of the Coleman report and its conclusions regarding school effectiveness, President Johnson issued Executive Order 11353, which established the President's Advisory Council on Cost Reduction and thereby facilitated implementation throughout the federal executive branch of PPBS. Johnson had been impressed with the manner in which his first secretary of defense, Robert MacNamara, had imposed a measure of order on a previously unruly defense department by the use of PPBS. Indeed, MacNamara, a former Harvard Business School "whiz kid" and Ford Motor Company manager, had an intense understanding of the range and limitations of modern management techniques, and his Pentagon achievements were commendable. However, those who became advocates for the application of these same techniques to school generally lacked MacNamara's balanced view.

America's education system has long been subject to the rapid adoption and subsequent dissolution of fanciful fads, and PPBS was to be no exception. If the Department of Health, Education, and Welfare,[9] including the Office of Education, had to implement Program Planning Budgeting, then surely so could school districts. Also, if it was good enough for the Pentagon and the federal government, then just as surely it would benefit schools. Education publications were quick to trumpet the virtues of the new management techniques. For example, the 1971 issue of *Current Index to Journals in Edu-*

[9] Beginning in May 1980, the Department of Health, Education, and Welfare officially changed its name to the Department of Health and Human Services. This alteration reflects the 1980 formation of the federal Department of Education.

cation lists 50 articles referring to performance contracting alone. Consulting firms rapidly packaged the new management tools for sale to local school district superintendents and school boards who, even if they did not know what PPBS and PERT were, certainly knew they needed them. It was difficult to resist such a popular steamroller.

Local school districts were not alone in their eagerness to promote more efficient schools. State legislatures also joined the technical-industrial school improvement bandwagon. In 1970, the California legislature mandated the implementation of PPBS in each of the state's more than 1,000 districts, and this was to be done within 5 years. Two years later, however, the California legislature quietly rescinded the mandate.

Other states, frustrated at not being able to dictate increased school output, began legislatively to intrude on school processes. Competency Based Teacher Education (CBTE) became yet another crest on the accountability wave (Cooper & Webber, 1978a, 1978b). Literally dozens of states began requiring that teachers be trained with an eye toward those instructional techniques that were most effective with students. Once they had mastered these professional techniques, then they would be licensed to teach and certified as competent. The idea was badly flawed. There existed few scientifically proven instructional skills (Heath & Nielson, 1974). Teaching continued to be far more an art than a science. Despite the exaggerated claims of many teacher trainers and the impetus given to the idea by federal conferences on the topic, the scientific base of pedagogy was simply too thin to justify competency-based teacher education, and the idea generally was short lived.

Even the federal government was not immune from efforts to inject private sector management techniques into education. The Office of Economic Opportunity (OEO) sponsored several experiments aimed at elevating school productivity. Performance contracting was a federally financed scheme wherein private firms would be paid for instructing students in selected portions of the school curriculum. If student performance met or exceeded previously agreed upon levels, then the contractor was to receive a financial bonus. This payment for results strategy was also short lived after uncovering scandalous conditions in the Texarkana, Texas, schools wherein a contractor was alleged to be teaching students the answers to test questions to enhance achievement scores (Lessinger, 1969). That was not the end, however. The OEO attempted other pay for results experiments wherein parents and teachers were paid for higher student achievement, and in another experiment, students were paid for higher performance.

Testing

For all the publicity, money, and effort, the technocratic accountability movement appeared by the early 1970s to have produced few results. The scorecard used by the public continued to reflect failure. Standardized test results had been declining since the mid-1960s. Annually the College Entrance Examination Board reported that scores on Scholastic Aptitude Tests (SAT) were lower than the preceding year (James, 1975, 1976, 1978). If the new management techniques could not reverse the sorry situation, then what could? One answer to the question was to use more tests. The assumption behind the strategy was that by measuring school output, focusing the glare of public scrutiny on student performance, educators would be induced to work harder or more effectively.

Beginning in 1964, the federal government contributed to the testing movement by appropriating funds to a National Assessment of Education Progress (NAEP). This nationwide testing program eventually was to be operated by the Education Commission of the States (ECS) in Denver, Colorado, and then the Educational Testing Service in Princeton, New Jersey. The 3-year cycle of NAEP testing was administered in a fashion that discouraged comparisons between states and school districts. Nevertheless, even if not useful for purposes of holding a particular state or single school district accountable, it provided a baseline against which to judge education's future performance generally (Tyler, 1971).

After NAEP's initiation, several states began mandating statewide testing programs. Frequently these tests served as

criteria for awarding high school graduation certificates. Proficiency standards and minimum competencies were important phrases frequently reflected in legislation. By the late 1970s, publications of the Clearinghouse for Applied Performance Testing indicated that 35 states had adopted a form of testing to encourage or ensure higher school productivity. Educators resisted on grounds that the tests were insufficient to capture the full range of school purposes and that overuse of examinations would distort the ends of education. A backlash of sorts occurred, with consumer advocate Ralph Nader criticizing the national testing programs (Nairn & Associates, 1980). Several states, primarily New York, enacted "truth in testing" bills.[10] Despite such criticisms, the public generally continued to believe that tests were accurate measures of school output. A spring 1980 Gallup poll revealed that 75 percent of the public favors testing; an even higher proportion of minority group members hold such views (Gallup, 1980). Nevertheless, as the 1970s drew to a close, scores of nationally administered tests continued to decline.

Fiscal Containment

School districts have lived with taxing limitations for more than a century. Conventional school finance plans permitted local school boards to maintain taxing discretion only within a ceiling; if the tax rate were to be higher, it necessitated voter approval. Beginning in the 1970s, however, a new strategy began appearing with increasing frequency—limitations on spending. In 1972, in an effort to avoid a court ruling in the previously described case, *Serrano vs. Priest*, the California legislature enacted Senate Bill 90, which imposed a spending ceiling on school districts. The bill's complicated formula resulted in a different ceiling for each district. This was intended to permit low spending districts to close the gap between themselves and their more fortunate counterparts. The result froze high wealth districts into a posture wherein they no longer could maintain their privileged spending patterns; indeed, many of them no longer could even keep up with inflation. This spending limit, when coupled with declining enrollments, meant that for the first time, some districts annually found themselves in the position of having the same or a smaller total operating budget than was the case for the previous year. Doctoral dissertations began to examine a relatively new phenomenon—organizational decline (Agee, in press). Ten other states followed suit in adopting spending ceilings.

Efficiency proponents contended that if schools could not be made more productive, then at least it would be possible to limit the amount of public money wasted. The spending limit idea began to build momentum and spilled over beyond the boundaries of public schooling. By the mid-1970s, spending limitation campaigns for all local public services had been organized and succeeded in 25 states. Spending ceilings were imposed on several state governments (Augenblick, 1979). At the federal level, serious sets of proposals were made not only to require that annual federal spending be balanced against revenues, but also to limit federal spending to a specified proportion of the gross national product (Congressional Quarterly, 1979).

The fiscal containment movement appeared to be fueled by public alienation from government following the Nixon administration Watergate scandals and by fiscally conservative arguments that government at all levels was characterized by waste. Also, inflation was boosting taxpayers into ever higher income brackets whereby their taxes were being increased, even though their buying power was not. Similarly, inflation pressures on the housing market were pushing property values to unheard of heights, and assessed valuations and property taxes were escalating along with them. Increasing numbers of homeowners became vocal regarding their distress over property taxes.

In California, property owners found a hero in Howard Jarvis, a prime sponsor of Proposition 13. This proposition was a public enacted state constitutional amend-

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[10] According to the spring 1980 issue of the *Testing Digest*, a publication of the Committee for Fair and Open Testing, New York state's landmark law took effect on January 1, 1980. The statute requires sponsors of higher education admissions tests to submit copies of tests and correct answers to students on request. This law has spurred introduction of similar initiatives in 16 other states.

ment that limited California's property taxes to 1 percent of market value. The measure prompted a 60 percent reduction in property taxes for many California homeowners. The public treasury was deprived annually of $7 billion in property tax revenues. The measure passed easily, with 68 percent of those voting supporting the amendment.

Despite this attack by such an apparent fiscal meat axe, California's public services survived in the 1970s because an almost unknown $6.6 billion fiscal surplus enabled the state to bail out local governments, including school districts. Once learning of this huge surplus, many members of the public were infuriated and prompted to support even more stringent fiscal containment policies. Hence, in the following year, 1979, Proposition 4 was enacted. This limited state spending increases to an amount equal to population growth and alterations in personal income and the federal consumer price index. As if this were not sufficient, Howard Jarvis returned in 1980 with Proposition 9, a proposal to reduce California's state income taxes by more than 50 percent. Apparently enough was enough, as voters rejected the measure soundly.

California appeared to occupy the extreme position on the fiscal containment pendulum. However, it did not represent an anomaly. A Rand Corporation survey revealed that total government spending as a function of gross national product grew steadily from 1929 to 1975. By that year government spending, including schools, equaled 35 percent of the total value of all goods and services produced in the United States. From 1975 to 1979 this percentage fell to 32.6. Lower education's (i.e., K-12) share of GNP also declined from its 1975 level, from 7 to 5 percent. As a percent of total government spending, education had fallen from 30 percent in 1956 to 27 percent by 1975 and even lower by 1979 (Pascal & Menchik, 1979).

Proponents of greater school efficiency sometimes emphasize resource "inputs"—money, labor, time. Other advocates of greater educational effectiveness focus on school "outputs"—academic achievement or similar measures of student performance. The quarter century under consideration began with an emphasis on "output" and shifted in time to a concern for processes. It evolved even further so that by 1980 the prime efficiency strategy was limitation of "inputs." To some degree, efforts to achieve greater equalization need not conflict with reforms aimed at influencing school processes or outputs. At least occasionally, proponents of equality and a more rigorous school curriculum—for example, "back to basics"—can coexist and may even cooperate. However, attempts to achieve greater school efficiency by limiting inputs of school dollars are seldom compatible with equity reforms. School finance reform is difficult to impossible in an atmosphere of fiscal containment. States that undertook substantial alterations of their finance distribution schemes usually did so with the advantage of a treasury surplus (Kirst, 1979; Shalala & Williams, 1974). Without additional resources, equity necessitates a redistribution, taking from some to give to others. Fiscal containment policies militate against surpluses, in the absence of which equity can come only from redistribution. Revisions of distributional arrangements are themselves almost always fraught with tension. Altering a plan to redistribute resources so that there are not simply winners and even bigger winners (or at least winners and those who are not affected), but rather winners and losers, invites intense political conflict. It is such conflicts that frequently give birth to proposals for greater liberty or choice.

Liberty

Freedom to choose from among alternatives is a long-respected component of American culture, schooling included. Since its colonial inception, America's educational system has been characterized by substantial diversity. Choices existed whereby parents and citizens could satisfy their preferences for schooling. In *Pierce vs. Society of Sisters*,[11] the U.S. Supreme Court affirmed the right of parents to select from among both public and private school alternatives. Even within the public school sector, efforts have consistently been made to ensure that even though

[11] 268 U.S. 510 (1925).

schooling was compulsory, schools themselves were nevertheless responsive to the clients they served. Responsiveness was intended for public schools to facilitate choice, to be a proxy for liberty in a system that otherwise held a monopoly position for most parents and students (Tucker & Zeigler, 1980). Of course, it should be remembered that the substantial diversity characterizing American public education before and immediately after World War II was justified, at least in part, on grounds that differential taxing and spending for schools was a by-product of responsiveness. Through migration, a household, at least one able to afford the housing investment necessary, could presumably satisfy its tastes for schooling. The school finance equity reform movement began, in the last quarter century, to attack this assumption and the fiscal arrangements accompanying it. Once this attack began, proponents of liberty attempted to protect arrangements for diversity.

Efforts to ensure or enhance liberty for public schools have taken two primary forms: (a) Reforms intended to render public schooling more diverse and more responsive to clients, and (b) proposals to encourage more private schools. The 25 years examined here contain several efforts to achieve reform on both dimensions.

Private Education

The mid-1950s Supreme Court school desegregation decisions precipitated numerous reactions. One outcome, white efforts to avoid racially desegregated schools, took various forms—violent resistance, civil disobedience, legal subterfuge, delay, and escape. The escape strategy resulted in the greatest surge in nonpublic school enrollments in the 20th century. By 1968, the time that court-ordered desegregation was at its most intense, nationwide nonpublic school enrollments climbed to 14 percent of the total school population (U.S. Department of Health, Education, and Welfare, 1974).

This growth resulted primarily from the formation of hundreds of "white academies" in southern states. Prince Edwards County, Virginia, attempted to aid such segregated schools by closing its public schools.[12] Mississippi rescinded its compulsory school attendance law and attempted to arrange state tuition payments for students attending segregated private schools. These and similar efforts eventually were found to be illegal. Under the pressure of court decisions, Internal Revenue Service investigations, and sheer economics, white academies began to close.

By 1975, the nationwide proportion of students enrolled in nonpublic schools had been halved, to only 7 percent (National Center for Educational Statistics, 1976). Undoubtedly white fears of racially mixed schools had been at least partially assuaged, and this accounted for the closing of many segregated private schools. However, inability of proponents to gain sustained public financing for the antidesegregation institutions also contributed significantly to their decline. Not only can school finance reform lead to change, but the absence of a change can sometimes lead to reform.

No sooner had nonpublic school enrollments declined to 7 percent than they began once again to ascend. By 1980 it was estimated that nonpublic school enrollments had rebounded to between 10 and 11 percent of total kindergarten through 12th grade enrollments. This time the movement did not appear to be fueled by white desegregation fears; something else was motivating parents and students.

While southern whites attempted to avoid racial desegregation by establishing private schools, private school clients in several northern states also sought public financial support. Loss of many instructors from religious orders, the unionization of lay teachers, and rising costs generally were creating intensified fiscal pressures on private sectarian schools. Their legislative proponents in states such as New York and Pennsylvania enacted state aid provisions benefiting nonpublic schools. Such aid took various forms: direct aid to nonpublic schools for supplies and to cover costs of state-mandated operations, such as testing; transportation of students; and state income tax credits and deductions to households paying private school tuition. Whatever the political popularity

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[12] *Griffin vs. County School Board*, 377 U.S. 218 (1964).

or moral rectitude of such provisions, they systematically were found to be constitutionally unacceptable (Duffy, 1972).

Nonpublic school advocates enjoyed, at least initially, greater success in their efforts to obtain federal financial aid. In an extraordinarily adroit move, education officials of the Johnson administration were able to fashion a compromise between the National Education Association and the National Catholic Welfare Conference (Guthrie, 1968b) that permitted enactment of the 1965 Elementary and Secondary Education Act. Previously, major federal school finance bills had dissolved in Congress because of conflict over racial desegregation, aid to nonpublic schools, and fears of federal control. A previously mentioned enactment of the 1964 Civil Rights Act diluted the issue of race. The landslide election of LBJ in 1964 provided enough political muscle to overcome the federal control argument.

The church-state compromise on aid to nonpublic schools, constructed by executive branch lobbyists, was of the following nature. Federal funds could be used to purchase instructional supplies, title to which was to remain, at least nominally, in the public sector (Meranto, 1967). However, materials themselves would be made available to nonpublic school students in their schools. This was described by Johnson administration strategists as similar to the operation of public libraries. When a citizen checks out a library book, no one asks, "What church do you attend?" Why then, they contended, should it be different for educational materials? Additionally, nonpublic schools are entitled to benefit from publicly funded ESEA Title I services, but the personnel involved must be employed by the local public schools. This executive-branch-initiated compromise was welded together with such authority that subsequent congressional consideration of the bill failed to open even a minor seam in the uniform interest group front.

Simultaneously frustrated by the inability to obtain judicial approval for a major state aid to nonpublic schools plan and heartened by the above-described federal assistance breakthrough, nonpublic school aid advocates subsequently attempted an even more dramatic strategy—congressionally approved tuition tax credits. Tuition tax credit plans had passed the Senate on six previous occasions, but the House had never concurred. Thus a concerted tuition tax credit coalition effort was mounted in the 95th Congress. Proponents put forth a bill that would grant to households a federal income tax credit proportional to their nonpublic school tuition payments. The plan included higher and lower education and had a tax credit ceiling of 25 percent of school and college tuition payments. It was estimated that, if enacted, the plan would cost the federal treasury several billion dollars annually in foregone tax revenues. President Carter announced his opposition and his intention to veto the bill should it successfully navigate both houses of Congress. Carter's veto threat was sufficient to forestall Senate passage. However, the House of Representatives took an opposite stance and voted favorably, 209 and 194 (Congressional Quarterly, 1979; Jacobs, 1980). The absence of Senate concurrence, obviously, prevented passage of the bill. Nevertheless, the surprise to many was that tuition tax credit proponents had failed by so slender a margin. Clearly, another effort would follow, and such was the case in both 1982 and 1983 with bills sponsored by the Reagan administration.

Voucher plans were yet another avenue by which private education proponents attempted to gain public financial support. Governmental aid to students, who then select the school of their choice, was popularized for higher education following World War II with the advent of the Service Men's Readjustment Act of 1954 (Public Law 78-346)—the so-called "G.I. Bill." In 1955, Milton Friedman, the Nobel-Prize-winning economist, advocated a similar strategy for returning efficiency and responsiveness to lower education (see Friedman, 1962, chap. 6). Friedman's idea began to receive greater attention during the onset of the efficiency movement in the 1960s. The previously mentioned OEO, organized under the Johnson administration, attempted several market-oriented education experiments, of which a modified voucher trial was a component. Following several widely publicized academic analyses (Cohen & Farrar, 1977), the OEO

attempted to persuade one or more entire states to experiment with a voucher plan. However, opponents prevailed. Finally, one small local school district, Alum Rock, in the area of San Jose, California, consented to undertake a diluted voucher trial.

The Alum Rock experiment limited choice to public schools. A segment of the district's elementary schools were themselves divided into a series of minischools, schools within schools. Each of these subunits adopted a different theme, style, or instructional strategy. Parents were provided with information regarding different attributes of schools and then permitted to select from among them. A sophisticated accounting system was developed that permitted dollar resources to follow individual students with accuracy, even when students transferred schools several times in the course of an academic year.

The Alum Rock trial concluded with mixed reviews (Weiler, 1974). Private school critics asserted that vouchers were imperfect, and proponents contended that the experiment was flawed and that inability of private schools to participate rendered the experiment invalid.

Aside from the success, or lack thereof, in Alum Rock, voucher proponents in California made another effort in 1979. Taking a lesson from fiscal containment successes through direct democracy, Coons and Sugarman attempted to gain an amendment to the California Constitution that would have transformed the entire state into a voucher system. The Coons-Sugarman initiative was elaborately drawn to compensate for weaknesses of previous proposals and to balance the public's welfare with private schooling. Despite careful efforts, their petition failed to gain sufficient registered voter signatures to place the initiative on the 1980 ballot for electoral approval. As with tuition tax credit advocates, Coons and Sugarman also plan to try again. They contend that the harm done to high-spending school districts as legislatures respond to equal protection court mandates will interact with fiscal containment policies of efficiency advocates to damage the quality of public schooling. They assert that when this erosion is evident and substantial, the public will then be receptive to a voucher plan.

Responsiveness

The 1960s and 1970s encompassed a period of intense public school criticism. One dimension of these complaints was that schools were insensitive to the preferences of clients, parents, and students. Public policy diagnosticians attributed the illness to excessive influence by educational professionals, administrators, and teacher organizations. The prime remedy was judged to be a restoration of local control—greater citizen participation. Toward this end, four reform surges took place between 1955 and 1980: (a) the so-called "community control" movement, (b) efforts to establish "alternative schools," (c) administrative decentralization, and (d) school site management and parent advisory councils.

Community Control

In the early 1970s the Ford Foundation sponsored a study of New York City schools. The report, authored principally by Mario Fantini, was entitled *Reconnection for Learning* (New York City Mayor's Advisory Panel on the Decentralization of New York City Schools, 1967), and it recommended that steps be taken to disaggregate the huge New York City school district into presumably more manageable subunits. Three experimental "community control" districts emerged and rapidly became the focus for substantial conflict. Whereas parents desired discretion over personnel evaluations and hiring as a crucial component of "community control," teachers' union officials desired retention of the civil service model that had long been in effect. Parents lost, leading to the eventual demise of the community control experiment in New York City, but not before the idea received widespread attention elsewhere (Levin, 1970; see also Berube & Gittell, 1969; Gittell et al., 1971).

Eventually, the New York legislature enacted a bill that divided the city's schools into 33 elementary districts with elected boards subject to the overall authority of the city's central school board. Each of these subdistricts contained more pupils than the overwhelming majority of school districts throughout the United States. Community control proponents were dismayed that the new subbureaucracies

would be touted as a way to return schools to the "people." Moreover, early political analyses asserted that newly elected local boards were heavily dominated by citizens supported by teacher unions (Gittell, 1967).

Alternative Schools

This concept, much like accountability, was and continues to be a semantic umbrella of sufficient breadth to encompass numerous schooling ideas, some of them antithetical. In the 1960s, several notable authors wrote educational critiques and asserted that public schools were debilitatingly uniform, repressive, stifling of student and staff creativity, and administered in a mindless fashion (see, e.g., Kohl, 1967; Kozol, 1967; Rogers, 1968; Silberman, 1970). "Alternative" education was proposed as a reform. British primary schools were frequently cited as a model for students' early years, wherein relatively unstructured learning experiences would more easily assist in the transition from home to scholarly activities. Secondary students could benefit from "schools without walls," of which the Parkway School in Philadelphia was a much publicized illustration (see Cox, 1969; Resnick, 1970). Many parents removed their children from public schools to place them in private "alternative" schools. Public school systems themselves, unwilling to forego their market share easily, established public alternative school experiments in the public school systems of Minneapolis, Minnesota; Gary, Indiana; and Berkeley, California (see winter 1975 issue of *Information*; see also Stoll, 1978). By the end of the 1970s, the movement had run its course, and several of its major idealogues had revised their opinions, confessed a change of heart, and advocated more structured schools (Kozol, 1978).

Administrative Decentralization

Large city school districts underwent a wave of decentralization during the 1960s and 1970s. The general justification was that disaggregation would permit schools to be more responsive to clients and employees. The typical pattern was to divide the district into several administrative subunits, each with an administrative officer nominally in charge of all the schools in the subdistrict. Districts varied with regard to the degree of decisionmaking discretion permitted these subunits. In most instances, fiscal authority continued to be centralized. Personnel administration also typically remained a central office function. Curriculum planning and instructional emphasis were often permitted to vary according to the tastes of the subdistrict administrator. Only in New York City was disaggregation accompanied by political reform—namely, the election of subdistrict school boards. In other cities, the central-school board continued to be the policymaking body for the entire district. Consequently, critics contended that decentralization accomplished little more than added costs and the insertion of yet another bureaucratic layer between local school and "downtown" decisionmakers. It was difficult, other than city school central offices and subdistrict administrators, to identify those favorable to the reform (LaNoue & Smith, 1973).

School Site Management

The relative failure of community control, alternative schools, and administrative decentralization encouraged yet a fourth effort to infuse schools with greater citizen participation. This additional reform was described in detail initially by a New York State reform commission that used the label "school site management" (Guthrie, 1976). The plan intended both to gain a greater measure of lay control and to provide more "accountability" by using the school, rather than the district, as the basic decisionmaking unit for personnel and curriculum. School district central offices would continue to handle fiscal and business matters and serve as planning, coordinating, and record-keeping bodies. A parent advisory council (PAC) at each school would be responsible for selecting and evaluating the school principal and for advising that officer on curriculum, instructional, and personnel matters. Principals were envisioned as being on multiyear contracts, the renewal of which was subject to PAC approval. Within specified boundaries, the principal and PAC would have discretion over funds budgeted for the school by the central office. Each school's budget allocation was to be determined by a set of uniform decision rules, including criteria such as number, grade

level, and achievement records of pupils assigned to the school. The PAC would issue an annual evaluation report including plans for the subsequent year.

The school site management idea was not particularly well received in New York State, but the Florida Legislature was favorably impressed. As a component of a statewide school finance reform plan enacted in 1972, the Florida Legislature adopted school site management and a statewide testing program (see Governor's Citizens Committee, 1973). Several other states adopted PAC components for their state categorical aid programs. Portions of the idea also were favorably received by federal authorities, who began to include PAC requirements for schools receiving categorical aid funds under programs such as ESEA Title I, Emergency School Assistance Act (ESAA), and bilingual categorical funds. The idea became so pervasive that school administrators were soon to ask that the PACs be consolidated lest principals' nights consist of one council meeting after another and little else.

Aside from the widespread adoption in form, there is slight evidence regarding the effectiveness of the idea. In many instances, little budget discretion was ceded to parents, collective bargaining agreements with teachers continued to render most decisions a central office matter, parents claimed they were too easily coopted by administrators, and few principals were attracted to the idea of their job security being tied to parental approval. These factors inspired the impression that the reform was widely adopted but not yet of consequence (see *Improving Education*, 1978).

Conclusion

What can be concluded from a quarter century of school-finance-related reform efforts? Reform proponents cite a series of statistics from which they infer success. For example, between 1969 and 1978, school operating expenditures increased by 23 percent in real terms, that is, after controlling for inflation's erosion of the dollar. In 1969, state revenue contributions accounted for only 39 percent of school spending. By 1978 this figure had risen to 51 percent. Supporters also point to development of new constitutional standards by which to judge school spending equality, favorable lawsuits in 36 states, constraints on spending disparity within states and within individual school districts, and substantially revised taxing structures in many states (Kelly, 1980).

There are critics who put forth a contrary view. They assert that employment has been forthcoming for numerous attorneys and analysts, but it is not yet clear from achievement measures that children have benefited from the court decisions. They contend further that efforts to achieve equality have required so many political side payments to efficiency proponents that schools are now deluged with unproductive technocratic accountability freight. Indeed, given the tendency to rely on state revenues more and local property taxes less, some cynics assert that the system of education has become more bureaucratized, rule bound, and lacking in local responsiveness than before the reform period began.

Whether reforms have borne fruit is not yet easily answerable. The jury would appear to need a longer period in which to hear the evidence and deliberate. Nevertheless, aside from the presence or absence of immediate benefits to students, the reform movement has had describable effects. School finance reform appears to have been closely linked with state tax restructuring. Use of the judicial system as a component of the reform strategy is worthy of assessment. Last, linkage between the three values—equality, efficiency, and liberty—deserves some concluding comments.

Taxation

In that many of the equal protection suits regarding school finance alleged disparities in the tax effort needed by local school districts in generating school revenues, it is no surprise that state and local tax schemes have undergone substantial revision in the effort to fashion remedies. Moreover, even attempts to rectify spending disparities typically have taxation consequences, as legislatures have a predilection for decreasing spending inequalities

by elevating low spending districts rather than depressing their high spending counterparts. The result has been a period in which many individual states have substantially revised their taxing structures.

Generally, state and local tax structures have been strengthened and diversified. In particular, reliance on property taxation for school revenues has decreased. For example, a 1980 report of the Advisory Commission on Intergovernmental Relations (ACIR) describes property tax revenues as constituting 44.6 percent of total state and local revenues in 1957 (Myers, 1980). However, as a consequence of added reliance on other revenue sources, by 1979 property tax proceeds accounted for only 32.6 percent of state and local income. During the same period, sales tax proceeds rose only slightly, whereas income tax revenues as a percent of state and local revenue rose from 9.5 percent in 1957 to 23.8 percent in 1979 (Myers, 1980). These shifts render state and local tax structures more responsive to economic growth than was previously the case. Also, regressive features of tax patterns have been reduced. As of 1980, 31 states had circuit breaker or exemption arrangements to lighten property tax burdens on low income and senior citizen households. In fact, by 1980 the taxation picture had been altered sufficiently to move the ACIR to state

> In all but a few states, the major challenge ahead for financing education is not the adequacy or equity of the state tax structure, but rather the level of educational costs and the degree to which local schools must raise their own revenues to retain local control. (Myers, 1980, p. 3)

Judicial Reform Strategy

As stated near the beginning of this article, the historic ability of high wealth, high spending school districts to impede legislative reforms inspired a judicial strategy. The nation's highest court failed to honor this strategy. Nevertheless, courts in 36 states have. Moreover, even in instances in which no favorable court decision has been forthcoming, legislatures have sometimes been persuaded to act positively for fear of the consequence should a court ruling develop. Thus, at least on the surface, the judicial strategy would appear to have been successful. However, proof of this thesis hinges more on remedies than on court decisions themselves. The gap between a favorable judicial decision and a favorable remedy can be a wide one.

In examining remedies, two major scenarios have developed. "Agenda setting" involves a court decision regarding the evil of a state school finance arrangement and a subsequent mandate for legislative action. In agenda setting, the court sets a topic before a legislative body, which had been reluctant to deal with it on its own initiative. This has been the nature of decisions in cases such as *Robinson vs. Cahill*, *Serrano vs. Priest*, and *Seattle vs. Washington*.[13] In the second, or "adjudicatory," scenario, the court itself defines the evil and fashions a remedy.

The evidence is still in preliminary form, but agenda setting seems to lead to more effective remedies. Whatever their failings, legislative bodies typically have greater information-gathering and policy-setting flexibility than do courts. This reveals itself in the creativity and complexity of legislatively fashioned remedies such as have developed in California, Connecticut, and Washington. These new school finance plans are far from perfect; indeed, they have not achieved a degree of equalization sufficient to satisfy equal protection idealists. Nevertheless, they have moved toward eliminating disparities and have done so in a fashion that permitted schools to continue operating in a mode acceptable to the public and, if not beneficial, at least not harmful to students.

Agenda setting can have its weaknesses. The New Jersey Supreme Court in *Robinson* found itself in the awkward situation of having to enjoin further operation of New Jersey schools until the legislature finally acted on a remedy. Even then, several districts failed to obey the court's mandate and kept schools in operation. Also, the complexity of the New Jersey solution, with its multifaceted accountability measures, suggests that even legislative solutions can go far afield. Nevertheless, compared with the court-designed solution in *Hobson vs. Hansen*, most agenda-setting scenarios appear effective. *Hobson*

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[13] *Seattle School District No. 1 vs. State of Washington*, 585 P. 2d 71 (1978).

resulted in schools that may well have served student plaintiffs worse than the predecision condition (Horowitz, 1977). By contrast, the ESEA Title I spending comparability requirements, in part triggered by *Hobson*, illustrate the potentially greater effectiveness of legislative solutions to judicially defined problems.

Interaction Between Value Streams

Almost every reform state has demonstrated that isolated pursuit of one value is virtually impossible. Building the coalition necessary to define, fashion, and implement a widespread reform almost always necessitates concessions to proponents of yet another value stream. Successful school finance reform coalitions, to 1980, were most often formed by proponents of equality and efficiency. Hence, in state after state, redistribution of spending and taxing authority has been accompanied by productivity reforms such as statewide achievement testing, spending limits, state-prescribed teacher-training procedures, state-mandated teacher-pupil ratios, and additional reporting requirements. The outcome in almost every instance has been reduced decisionmaking discretion for local school authorities. Whether or not this consequence will in time foster successful counterpressures for reforms on the dimension of liberty remains to be seen.

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Author

JAMES W. GUTHRIE, Chairman, Dept. of Education, University of California, Berkeley, CA 94720. *Specializations*: School administration, school finance.